



# Death Benefits

**Information for Participants  
and Beneficiaries**



# Table of Contents

**ThriftLine Service Center** ..... ii

**TSP Death Benefits: The Participant** ..... 1

    Your Beneficiary Designation ..... 1

    Other Information ..... 3

**Death Benefit Payments After Request for Annuity** ..... 5

**TSP Death Benefits: The Beneficiary(ies)** ..... 7

    Notifying the TSP ..... 7

    Determining Beneficiaries ..... 7

    Death Benefits ..... 8

    Taxes ..... 9

    Other Information ..... 11

# ThriftLine Service Center

## Phone:

1-877-968-3778 (United States, toll-free)  
+1-404-233-4400 (outside the United States, not toll-free)  
7 a.m. – 9 p.m. eastern time, Monday through Friday

## Fax:

1-866-817-5023 (United States)  
+1-276-926-8948 (outside the United States)

## Mail:

ThriftLine Service Center  
c/o Broadridge Processing  
PO Box 1600  
Newark, NJ 07101-1600

# TSP Death Benefits:

## The Participant

As a participant in the Thrift Savings Plan (TSP), you will likely accumulate a sizeable amount of money in your TSP account over the years. One of the things you need to think about now is, “Who will receive the money in my account when I die?” This may be an uncomfortable question, but it is very important not to put off decisions regarding who should receive your money. You need to take the time to ensure that your money goes where you want. You **cannot** rely on your will, prenuptial agreement, separation agreement, property settlement agreement, or court order to specify who will inherit your TSP account because we do not use any of these documents to distribute death benefit payments.

With that in mind, let’s start by figuring out what you need to do right now. First, who do you want to receive the money in your TSP account?

## Your Beneficiary Designation

**Order of Precedence.** If you die with a balance in your TSP account and you did not designate beneficiaries for that account, the account will be distributed according to the following order of precedence required by law:

1. To your spouse
2. If none, to your child or children equally, with the share due any deceased child divided equally among that child’s descendants<sup>1</sup>
3. If none, to your parents equally or to your surviving parent<sup>2</sup>
4. If none, to the appointed executor or administrator of your estate
5. If none, to your next of kin who is entitled to your estate under the laws of the state in which you resided at the time of your death

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<sup>1</sup> As used here, “child” means either a biological child or a child adopted by the participant. It does not include your stepchild unless you have adopted the child. Nor does it include your biological child if that child has been adopted by someone other than your spouse.

<sup>2</sup> “Parents” does not include stepparents who have not adopted you.

**Designating a Beneficiary.** Designating a beneficiary gives you flexibility and control over who will receive the money in your TSP account after your death. You can designate up to twenty beneficiaries of your account including persons, a trust, a corporation, your estate, or another legal entity (including a foundation or charity). You cannot designate tertiary beneficiaries (i.e., “third-in-line” beneficiaries who would be entitled to a share of your account if the primary and contingent beneficiaries die before you do) for a TSP account.

To designate a beneficiary or beneficiaries, log in to My Account on [tsp.gov](https://tsp.gov) or use one of the ThriftLine Service Center options listed at the beginning of this booklet. Keep in mind that once you select a beneficiary(ies), you cannot cancel and go back to the order of precedence. You will only be able to designate a new beneficiary.

**For us to honor it, your beneficiary designation must be on file with us at the time of your death. We cannot honor a will or any other document.**

If you have both civilian **and** uniformed services TSP accounts and want to identify the **same beneficiaries for both accounts**, you only need to enter the beneficiary information one time. However, in your secondary account, you will need to assign either “primary” or “contingent” to each beneficiary.

In the event of your death, if your spouse is entitled to a share of your account, we will establish a **beneficiary participant account** in your spouse’s name. The money in the beneficiary participant account will be invested just as it was in your account except for any money the you had invested in the mutual fund window. Money from the mutual fund window will be reinvested in TSP funds according to your investment election on file. **If your spouse’s share is less than \$200**, your spouse can request payment within the 90 days prior to automatic force-out, and provide direct deposit information if needed.

**Reviewing Your Beneficiaries.** It is a good idea to review how you have designated your beneficiaries annually. By law, the TSP must pay your properly designated beneficiary(ies) under all circumstances. For example, if you designate your spouse as a beneficiary, that spouse will still be entitled to death benefits if you separate or divorce from that spouse or remarry and do not change your beneficiary designation. This is true even if the spouse you designated gave up all rights to your TSP account.

If your life situation changes, or if any of your beneficiaries change their addresses or other identifying information, you may want to file a new beneficiary designation that changes your current one.

**Taxes on Death Benefit Payments.** When you designate beneficiaries for your TSP account, you should be aware of the tax consequences to them in the event of your death. We suggest you read the booklet *Tax Rules about TSP Payments*. This information may be helpful in developing instructions so that your spouse, executor, or other person knows what to expect.

## Other Information

**Disbursement.** We will disburse all death benefit payments proportionally from any traditional (non-Roth) and Roth balances in your account. Similarly, if you are a uniformed services member with tax-exempt contributions in your traditional balance, death benefit payments will contain a proportional amount of tax-exempt contributions as well.

**Agency/Service Automatic (1%) Contributions.** If you are a FERS employee or a member of the uniformed services covered by the Blended Retirement System (BRS) and you die before separating from service, any non-vested Agency/Service Automatic (1%) Contributions in your account will immediately become vested.

**Loans.** If you die with a TSP loan or loans outstanding, death benefit payments from your account cannot be distributed until the outstanding amount has been declared a loan foreclosure. The loan will be declared as taxable income to your estate, not to your beneficiaries. Your estate or survivors cannot repay the loan.

**Court Order.** If there is a court order against your TSP account when you die, the court order must be resolved before any death benefit payments can be made to your beneficiaries.

**Withdrawal/ Loan Requests.** If you die after submitting a loan, withdrawal, or distribution request, we will not process the request if we learn of your death before the payment is processed. Instead, we will distribute death benefit payments from your account according to your beneficiary designation or the order of precedence outlined on page 1. (See the special rule in “Annuity Purchase” in the next paragraph.) If the request has already been processed, the payment will stand, and the money cannot be returned.

**Annuity Purchase.** If you separate from service and submit a distribution request that includes an annuity purchase, and you die before annuity payments begin, the amount used to purchase the annuity will be returned to the TSP. We will, if applicable, distribute this money consistent with your annuity beneficiary designation.

See the chart on page 5 for more information regarding these rules.



# Death Benefit Payments After Request for Annuity

If the participant dies after requesting but before receiving a:	The funds will be paid:
single life annuity with no cash refund or 10-year certain feature,	according to your beneficiary designation or the order of precedence, as applicable.
single life annuity with a cash refund or 10-year certain feature,	to the beneficiary named on the annuity portion of the distribution request.
single life annuity with a cash refund or 10-year certain feature, but the beneficiary to the annuity portion of the distribution dies before the participant,	according to your beneficiary designation or the order of precedence, as applicable.
joint life annuity, and the participant dies before the joint life annuitant,	to the joint life annuitant.
joint life annuity, but the joint life annuitant dies before the participant,	according to your beneficiary designation or the order of precedence, as applicable.
joint life annuity with cash refund, and the participant dies before the joint life annuitant,	to the joint life annuitant.
joint life annuity with cash refund, and the joint life annuitant dies before the participant,	to the beneficiary named on the annuity portion of the distribution request.
joint life annuity with cash refund and the joint life annuitant and the beneficiary both die before the participant,	according to your beneficiary designation or the order of precedence, as applicable.



# TSP Death Benefits:

## The Beneficiary(ies)

If you are the survivor of a deceased TSP participant, this is no doubt a very difficult time for you. We have written this part of the booklet to explain TSP death benefits and to make the process of applying for them as easy as possible.

### Notifying the TSP

When a TSP participant dies while still actively employed in federal service, the employing agency informs the TSP. If a participant dies after separating from federal service or is the account holder of a **beneficiary participant account**, the participant's survivors should contact us using one of the ThriftLine Service Center options listed at the beginning of this booklet.

### Determining Beneficiaries

If there was a beneficiary designation on file with us on the date of the participant's death, the TSP account will be distributed according to that designation. Otherwise, the participant's account will be paid according to the order of precedence required by law. (In the case of an annuity, see page 5.)

**Order of Precedence.** If there is no beneficiary designation on file, the participant's entire TSP account will be distributed as follows:

1. To the participant's spouse
2. If none, to the participant's child or children equally, with the share due any deceased child divided equally among that child's descendants<sup>3</sup>
3. If none, to the participant's parents equally or to the surviving parent<sup>4</sup>
4. If none, to the appointed executor or administrator of the participant's estate

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3 As used here, "child" means either a biological child or a child adopted by the participant. It does not include a stepchild unless the participant has adopted the child. Nor does it include a biological child if that child has been adopted by someone other than the participant's spouse.

4 "Parents" does not include stepparents who have not adopted the participant.

5. If none, to the participant's next of kin who is entitled to the participant's estate under the laws of the state in which he or she resided at the time of death

A will, prenuptial agreement, separation agreement, property settlement agreement, or court order will not override either a beneficiary designation or the order of precedence.

Once we have determined the identity of the beneficiaries, we will mail each beneficiary a notice of their beneficiary status. We will establish a TSP account for each beneficiary.

Beneficiaries will also receive the TSP *Payment Rights Notice*, which explains the beneficiaries' tax obligations.

## Death Benefits

**Spouse Beneficiary.** If a spouse is determined to be a beneficiary of part or all of a civilian or uniformed services account, we will establish a **beneficiary participant account** in the spouse's name. The money in the beneficiary participant account will be invested just as it was in the deceased participant's account except for any money the participant had invested in the mutual fund window. Money from the mutual fund window will be reinvested in TSP funds according to the deceased participant's investment election on file. The money in a beneficiary participant account is not subject to federal income tax withholding until it is withdrawn. For more detailed information about beneficiary participant accounts, read the booklet *Your TSP Account: A Guide for Beneficiary Participants*.

**Note:** This provision is not available for a spouse beneficiary of a beneficiary participant account (i.e., the spouse of a remarried beneficiary participant).

**Non-spouse Beneficiary.** A beneficiary who is not a surviving spouse cannot retain a TSP account. We will establish a temporary TSP account for the non-spouse beneficiary. Payment from this account will be made directly to a non-spouse beneficiary or to an "inherited IRA." (See page 10 for more information.)

If a beneficiary participant dies, the new beneficiary(ies) cannot continue to maintain the account in the TSP. Also, the death benefit payment cannot be rolled over into any type of IRA or plan.

**Timing.** Non-spouse beneficiaries have 90 days to request payment from their temporary TSP account. If a non-spouse beneficiary does not initiate payment within 90 days, we will automatically send the payment on the 90th day or the next business day. Spouse beneficiaries can keep their balance in their TSP beneficiary participant account. Beneficiaries must first be identified and located, their Social Security numbers (or Employer Identification Numbers for estates or trusts) must be obtained and verified, and their addresses and dates of birth must be confirmed.

Beneficiaries can initiate an accelerated payment online or through the ThriftLine Service Center.

**Change of Address.** If you are notified that you are a beneficiary, make sure to keep us informed about any change in your address. Once your account is established, you will be able to change your address by logging in to My Account on [tsp.gov](https://tsp.gov).

## Taxes

The tax consequences of receiving a TSP death benefit payment are determined based on the source of money that is included in the payment (traditional or Roth); the type of account from which the payment is made (civilian, uniformed services, or beneficiary participant); and the type of beneficiary (spouse or non-spouse).

**Source of Money in Payment.** The participant's TSP account may contain funds from traditional (pre-tax), Roth (after-tax), tax-exempt (if uniformed services), or rollover contributions (from an IRA or an employer plan). All death benefit payments will be disbursed proportionally from any traditional and Roth money in the participant's account.

Any traditional money that is disbursed will be subject to mandatory federal income tax withholding. **Note:** If the participant was a uniformed services member with tax-exempt payroll contributions in a traditional balance, those contributions will not be subject to tax, but the earnings on those contributions will be subject to tax.

Any Roth payroll contributions that may be a part of a death benefit payment are not subject to federal income tax. Earnings on Roth contributions may also be paid tax-free if 5 years have passed since January 1 of the year the deceased participant made his or her first Roth contribution.

**Type of Account.** The taxable amount of any death benefits paid directly to the beneficiaries of a civilian or uniformed services TSP account may be subject to 20% mandatory federal income tax withholding.

The taxable amount of any death benefit payments made to beneficiaries (both spouse and non-spouse) of a beneficiary participant account is subject to 10% federal income tax withholding and is fully taxable in the year distributed. These payments are made directly to the beneficiaries and cannot be rolled over in to any type of IRA or plan.

**Type of Beneficiary.** Spouse beneficiaries of civilian and uniformed services accounts have different options from non-spouse beneficiaries.

A **spouse beneficiary** whose inherited share is \$200 or more will automatically avoid the mandatory withholding and defer tax liability by keeping the funds in the established beneficiary participant account, or by having the TSP roll over all or part of the eligible funds directly to an individual retirement account (IRA) or an eligible employer plan (including the spouse's own pre-existing TSP account).

**Note:** Roth IRAs only accept after-tax dollars. As a result, a spouse beneficiary will have to pay taxes on any money that is rolled over from a traditional balance to a Roth IRA. (See the TSP booklet *Tax Rules about TSP Payments* for the definition, rules, and restrictions for a Roth IRA. You may also want to seek the counsel of a tax advisor.)

A **non-spouse beneficiary** can avoid mandatory withholding and defer the tax liability by requesting that the TSP roll over all or part of the payment directly to an "inherited IRA." An inherited IRA is established specifically for the purpose of rolling over money inherited from a plan such as the TSP. Inherited IRAs may provide significant tax benefits because their required distributions can generally be spread across the lifetime of the beneficiary. However, the rules governing inherited IRAs are complicated, and there are restrictions. So before making a decision to roll over money from the TSP in to such an IRA, we strongly recommend that a beneficiary discuss the details of the rollover with a tax advisor or IRA provider. A temporary account will be set up for non-spouse beneficiaries and they will be able to access My Account on [tsp.gov](https://tsp.gov) to roll over a death benefit payment to an inherited IRA, or to request that a disbursement be made via check or deposited directly into a checking or savings account within 90 days. If the

beneficiary does not make a payment election after receiving the determination package, the account will be cashed out via check. A TSP death benefit paid directly to a non-spouse beneficiary may not be rolled over in to an IRA or plan.

For more information, see the TSP booklet *Tax Rules about TSP Payments*.

## Other Information

**Court Orders.** If there was a court order against the participant's TSP account at the time of death, the court order must be resolved before any death benefit payments can be made to beneficiaries or, in some cases, before a beneficiary determination can be made.

**Outstanding Loans.** If the participant had a TSP loan outstanding at the time of death, no payment will be made to any beneficiary until the outstanding loan has been declared a loan foreclosure and closed. The outstanding principal plus any accrued interest will be reported to the IRS as taxable income to the participant's estate. It will not be reported as income to the beneficiaries. The outstanding loan balance **cannot** be repaid.

**Withdrawal/ Loan Requests.** If the participant requested a loan or withdrawal, we will not process that request if we learn, before the payment is made, that the participant has died. Instead, we will distribute the account according to the participant's beneficiary designation or the order of precedence outlined on page 7. (See the special rule in "Annuity Purchase" in the next paragraph.)

**Annuity Purchase.** If the participant separated from service and submitted a distribution request that included an annuity purchase, but died before the annuity payments began, the money used to purchase the annuity will be returned to the TSP. We will distribute it according to the chart on page 5.

